



An overview of the GCC Power & Desalination Sector

Dutch Energy Solutions Meeting

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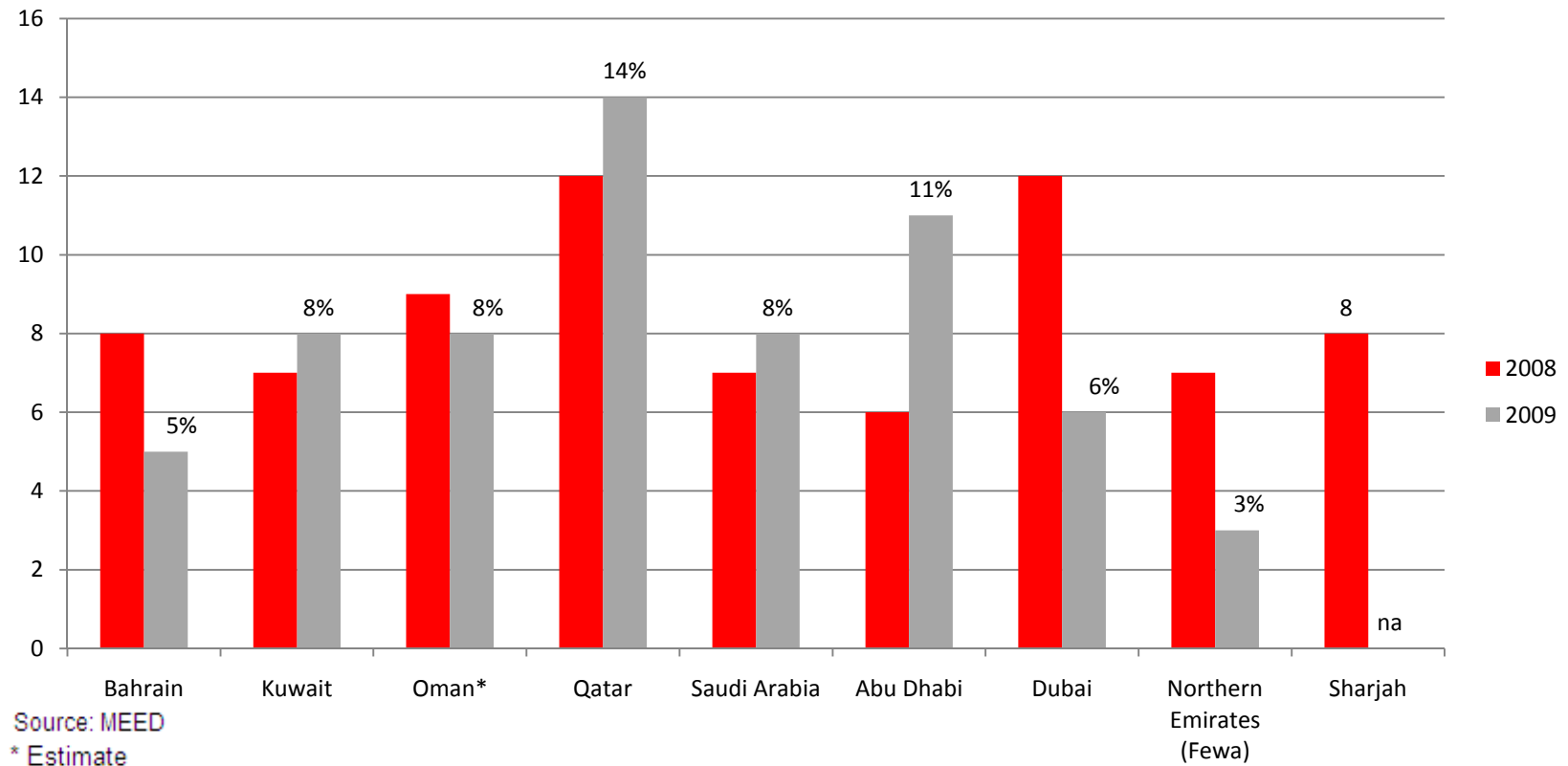


Introduction

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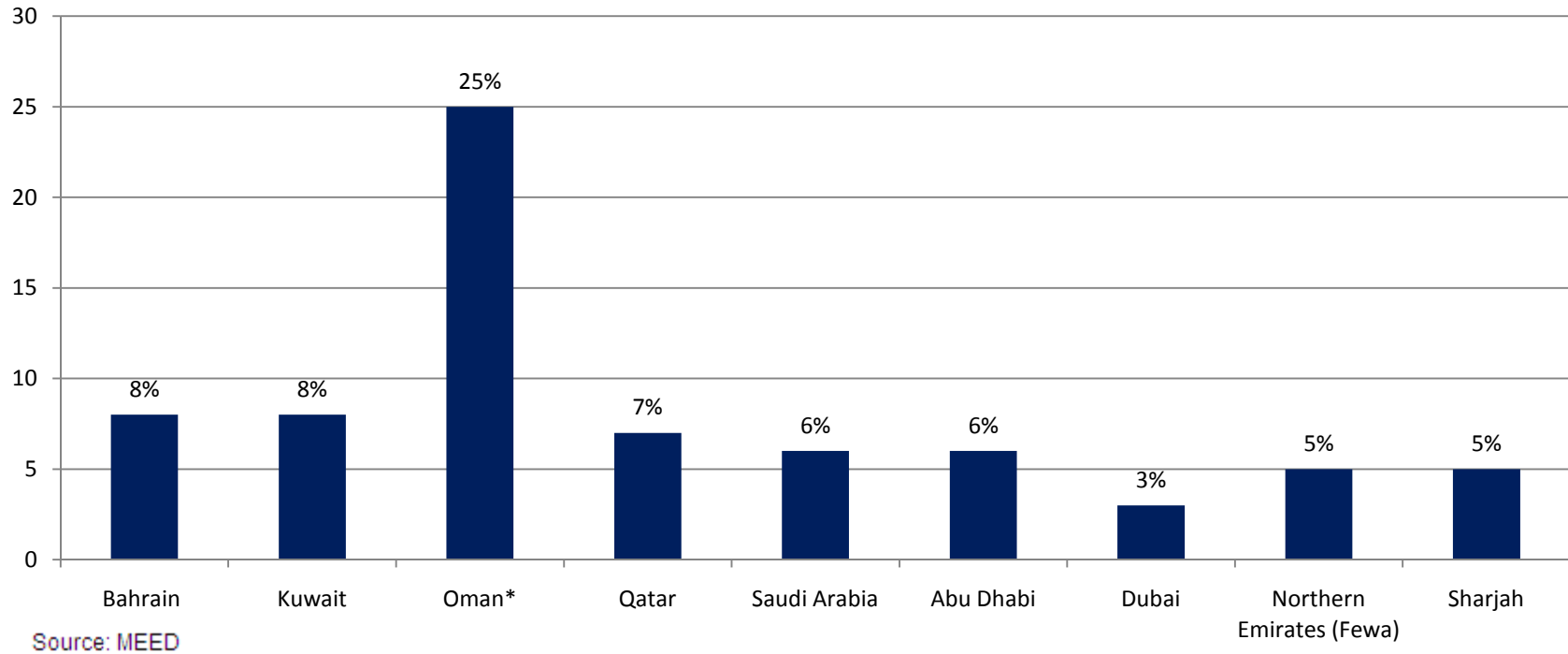
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GCC peak power demand growth, 2008-09



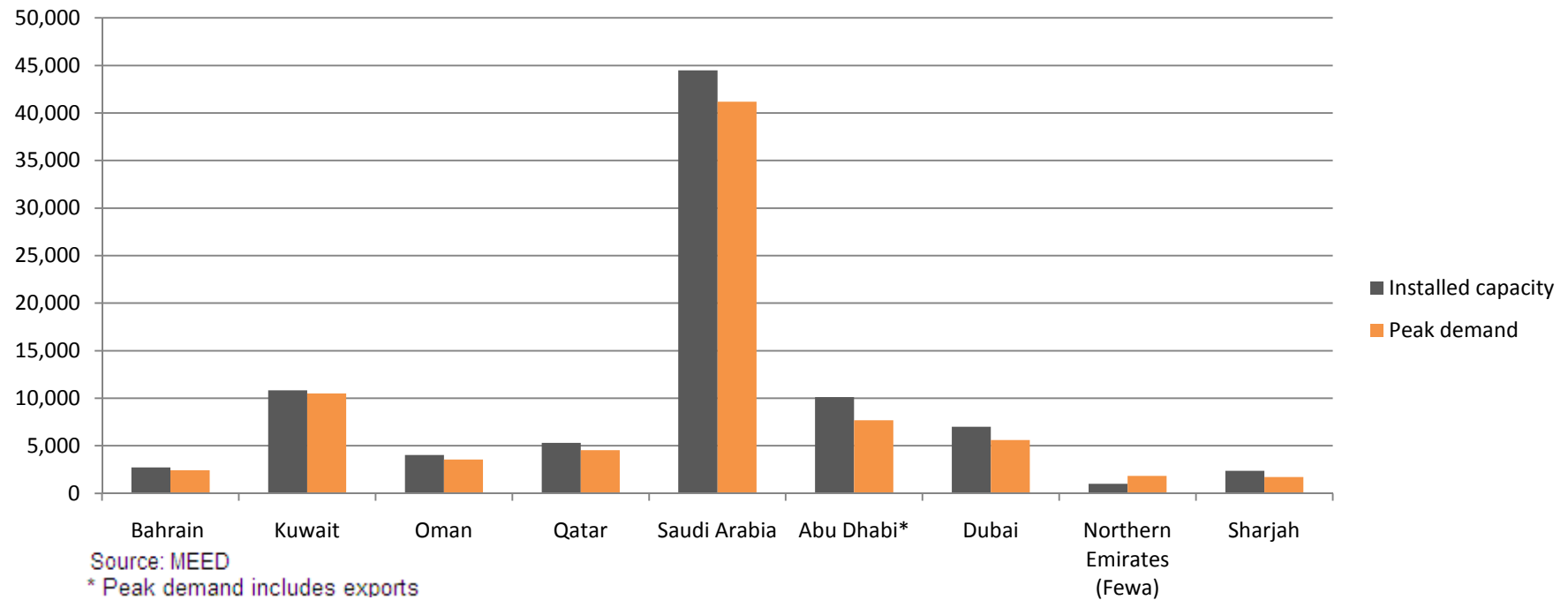
The 2009 economic slump had a limited impact on peak power demand growth

GCC peak desalination demand growth, 2009



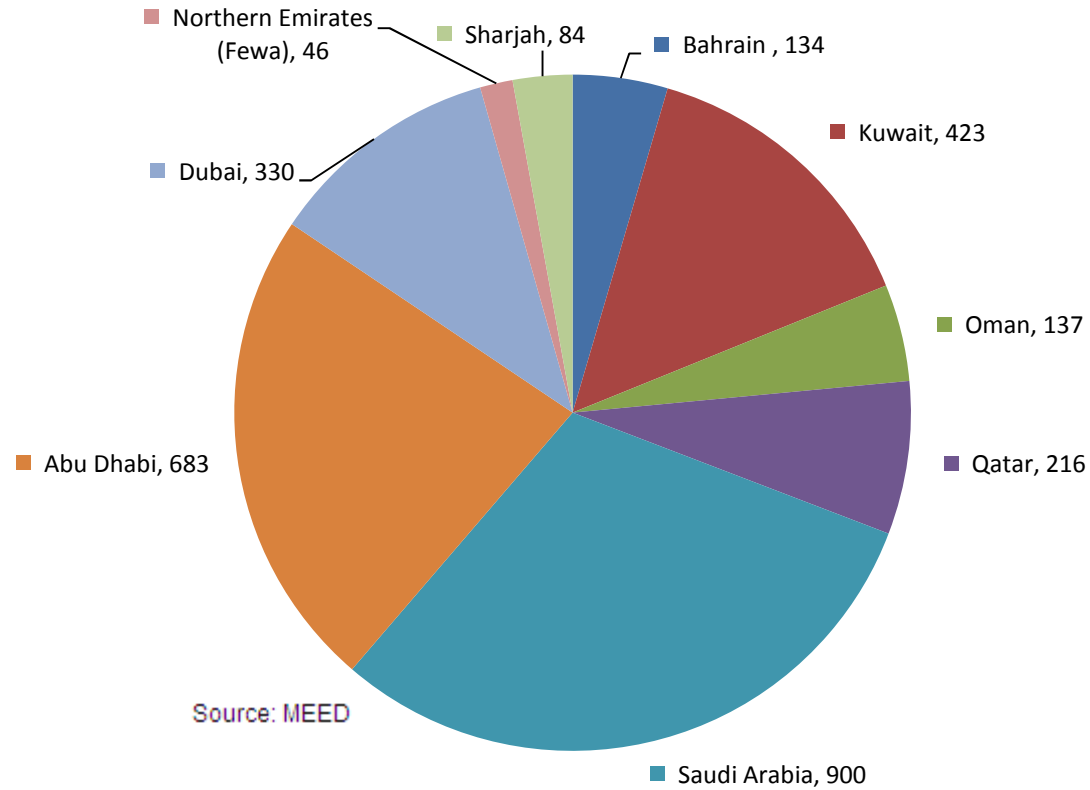
With the exception of Oman, peak desalination demand growth was more modest

GCC installed power capacity and peak demand, 2009 (MW)



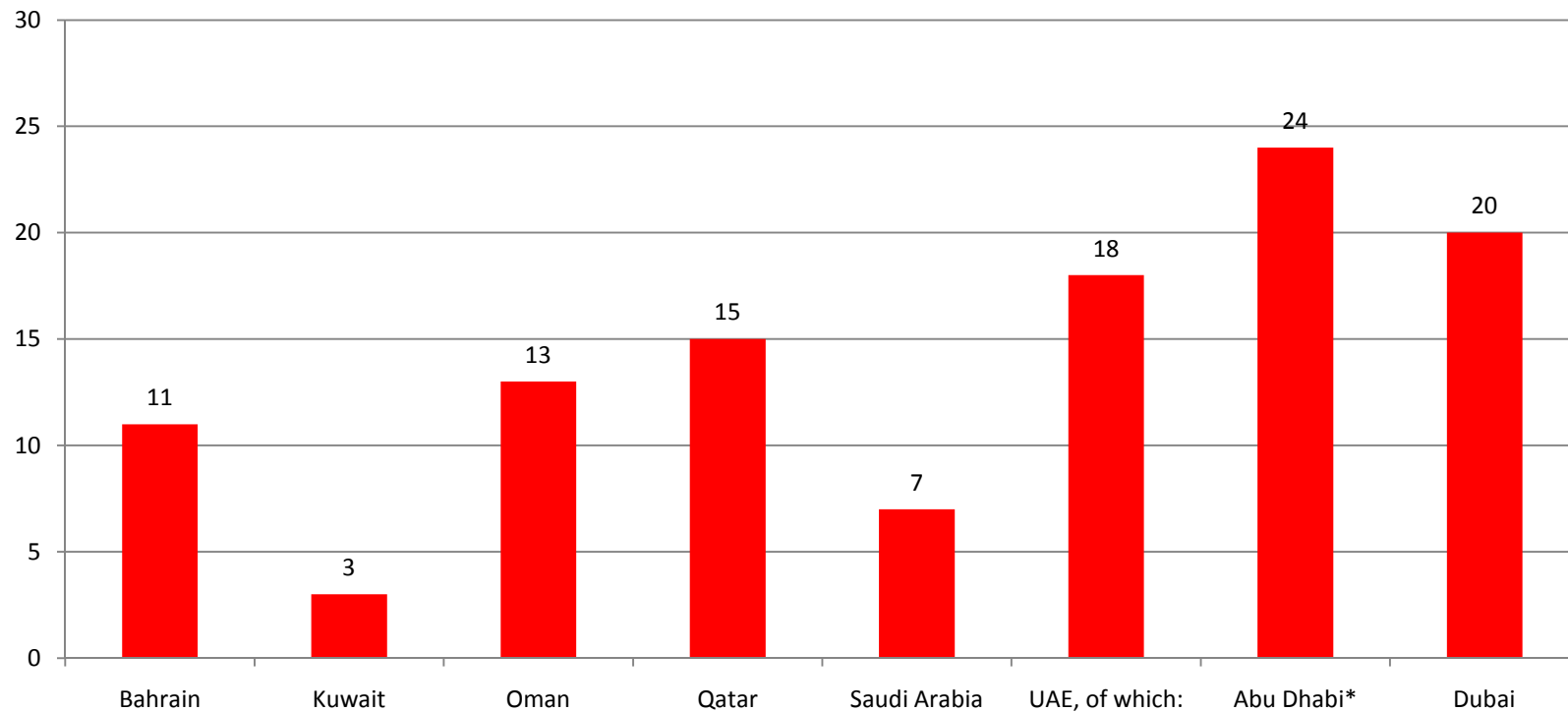
All GCC utilities managed to keep supplies ahead of demand, but it was a close run thing in certain places

GCC installed desalination capacity, 2009 (million g/d)



The UAE remained the largest desalination producer in the world in 2009, followed by Saudi Arabia

GCC power reserve margin, 2009 (%)

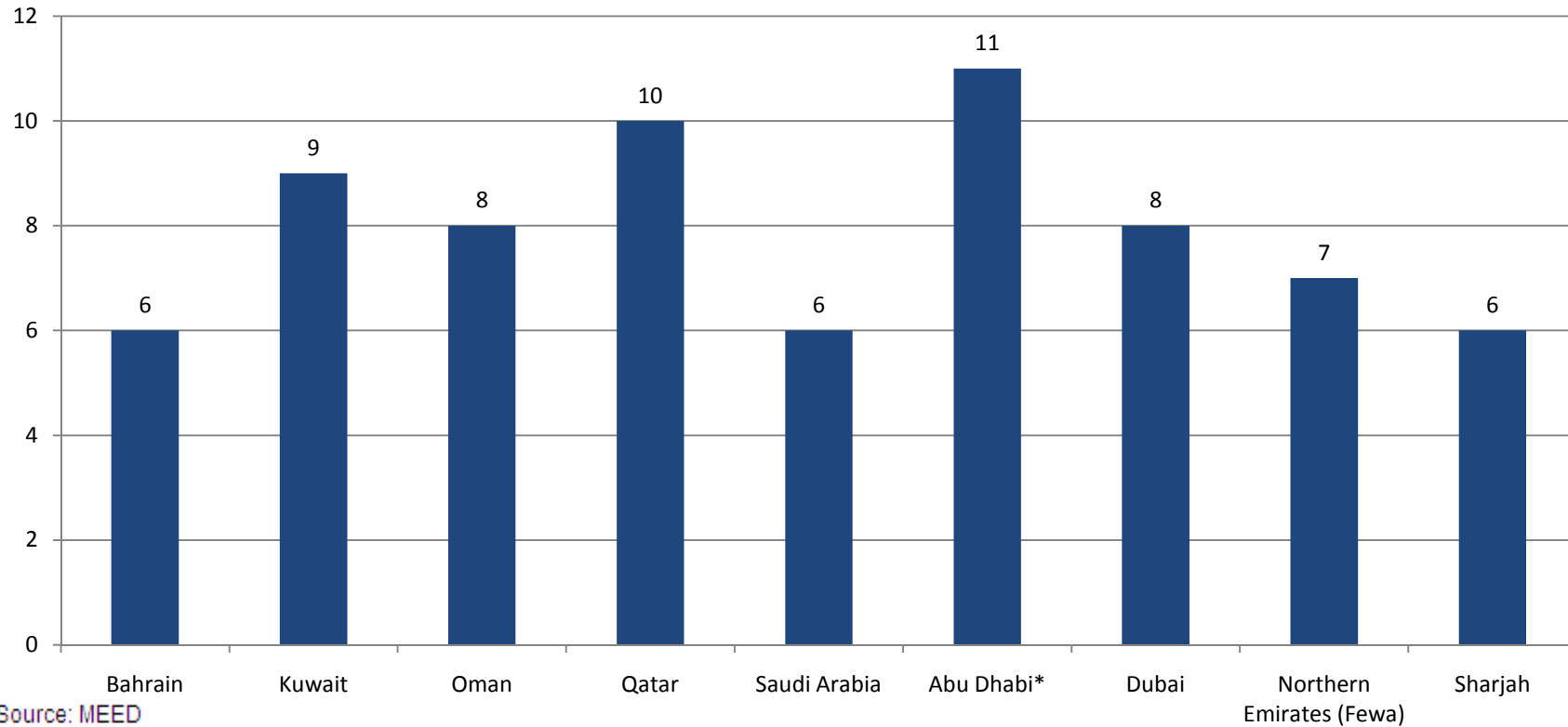


Source: MEED

* Figure based on total supplies inc exports. If exports are removed, Abu Dhabi's reserve margin increases to 38%

Abu Dhabi has maintained the healthiest reserve margin despite a 60 per cent increase in power exports to the northern emirates in 2009

Assumed annual peak power demand growth, 2009-19 (%)

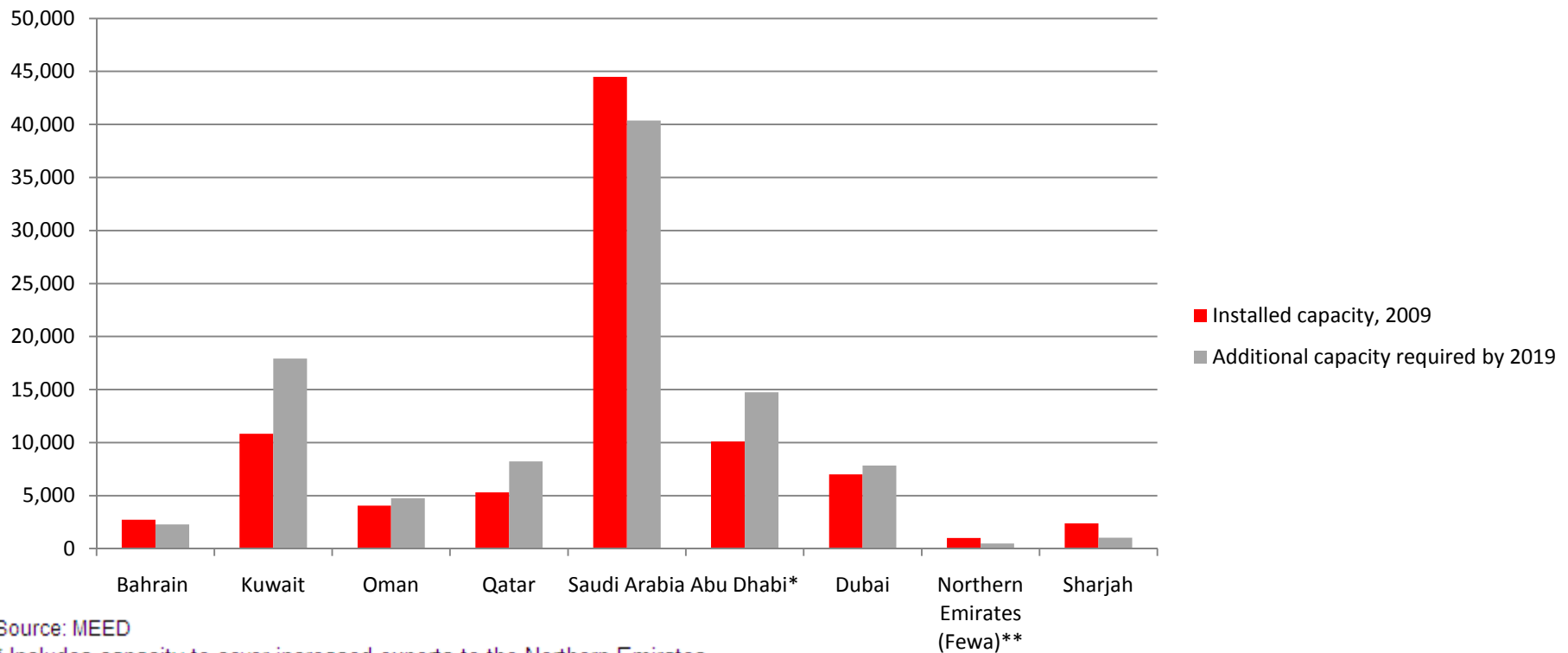


Source: MEED

* Includes projected demand from neighbouring emirates

Going forward, Abu Dhabi is set to have the highest growth in power demand through to 2019

GCC installed and required power capacity, 2009-19 (MW)



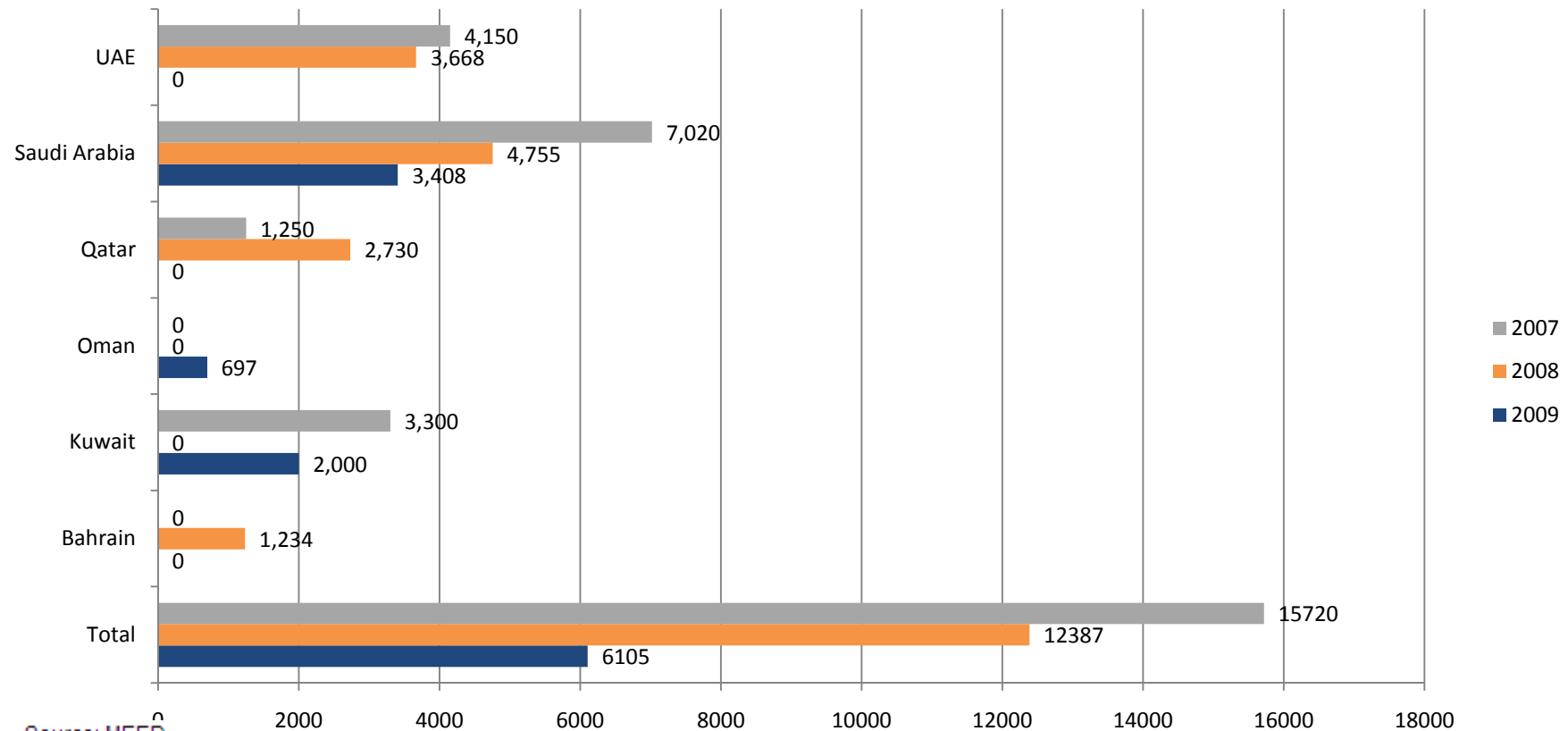
Source: MEED

* Includes capacity to cover increased exports to the Northern Emirates

** Required capacity figure excludes 2,500MW which will be supplied by Abu Dhabi

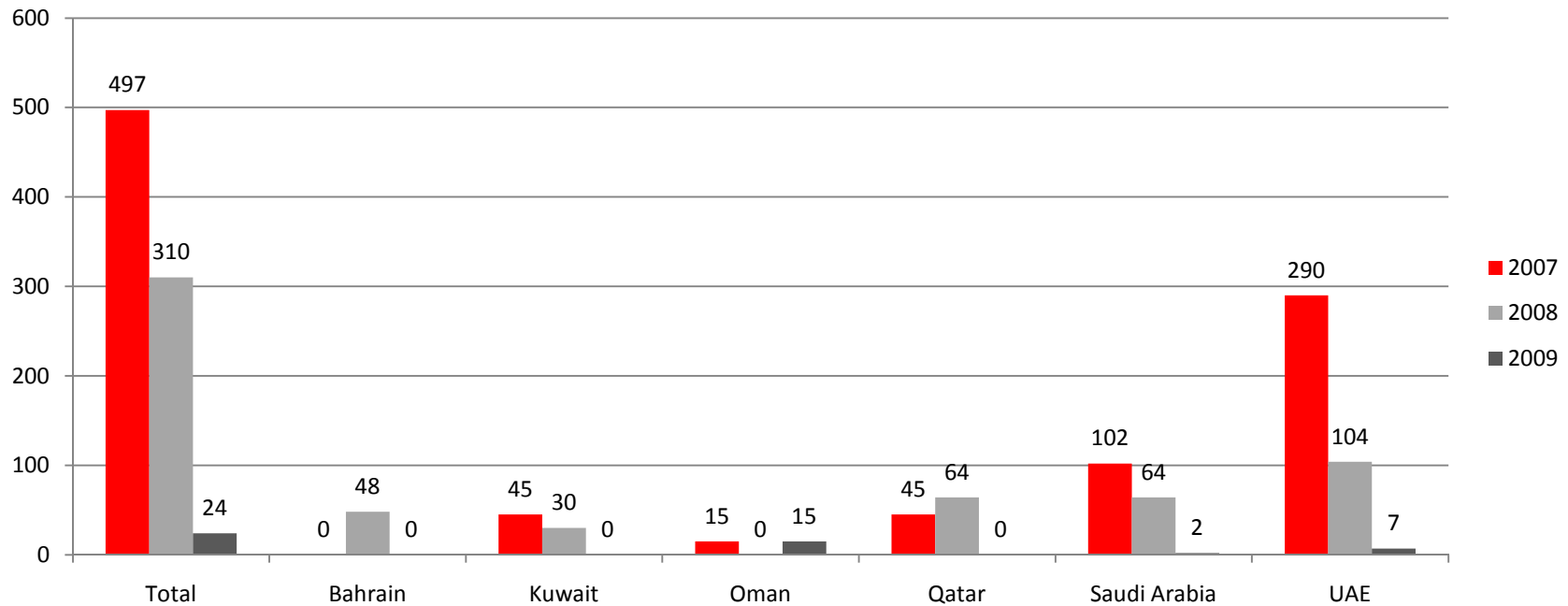
Based on the demand growth and restoring the reserve margin, the GCC will have to more than double capacity and install almost 100,000MW by 2019

Major power EPC contract awards in the GCC, 2007-09 (MW)*



The amount of new capacity contracted in 2009 halved as a result of subdued activity in the UAE and delays in contract awards in Saudi Arabia

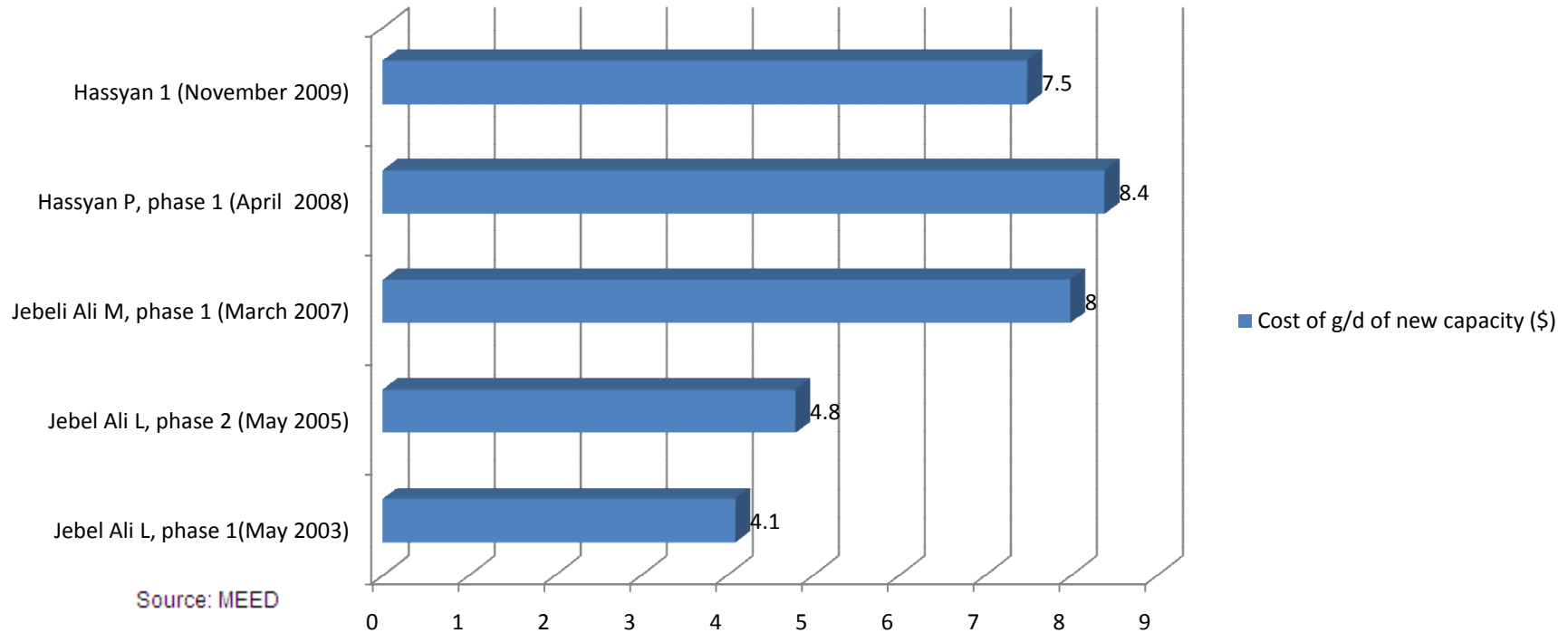
Major desalination EPC contract awards in the GCC, 07-09 (million g/d)



Source: MEED

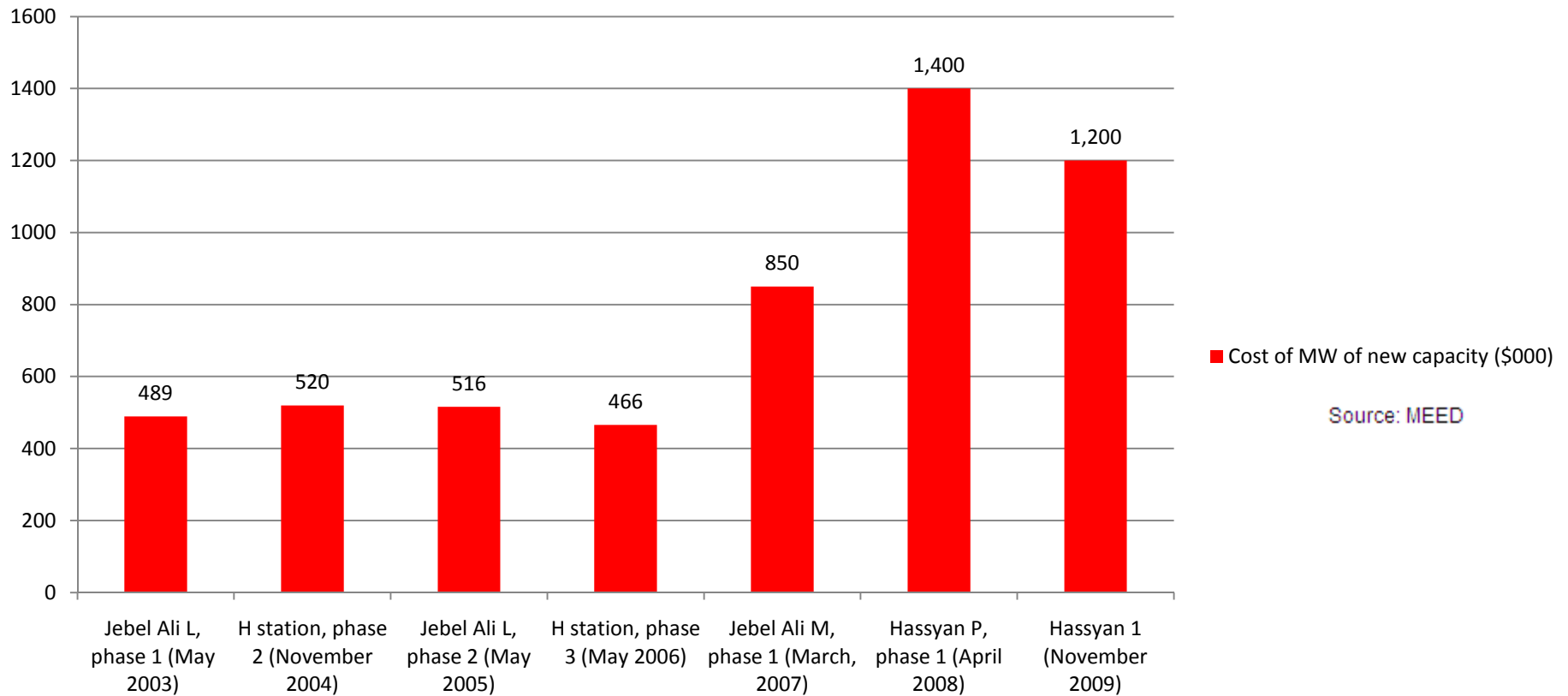
The drop in new desalination awards was even greater with the market falling by over 90 per cent in 2009

The cost of building desalination capacity in Dubai, 2003-09 (\$)



The decline in 2009 activity contributed to a fall in construction costs

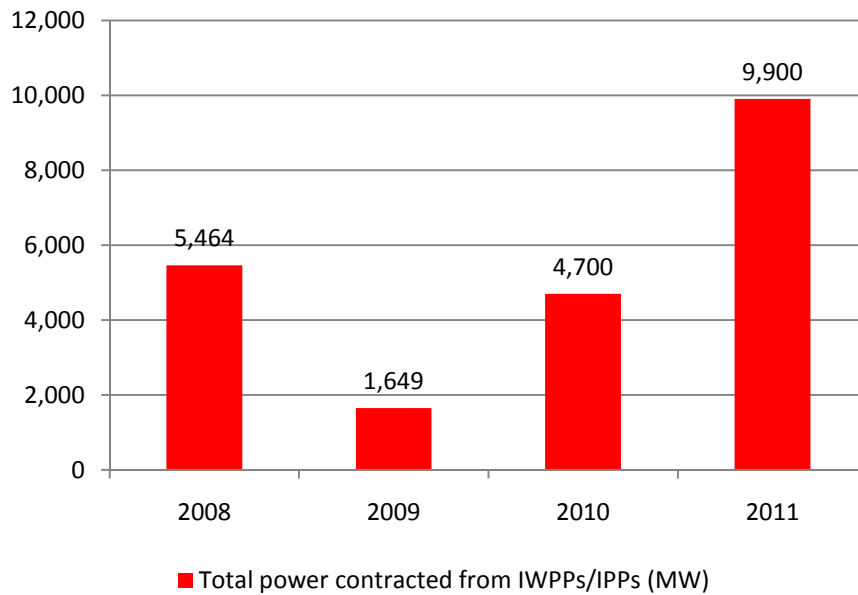
The cost of building power capacity in Dubai, 2003-09



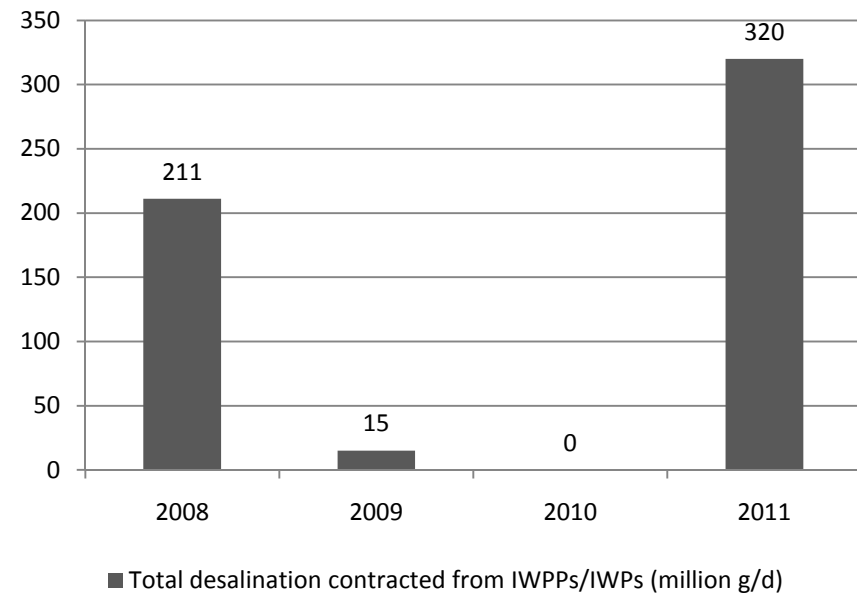
The cost of building new power capacity fell for the first time since 2006



Actual and planned awards in the GCC IWPP/IPP market, 2008-11



Source: MEED



Source: MEED

After the difficulties of 2009, the developer market picked up in 2010 and is set to reach a peak in 2011 with both Kuwait and Dubai planning to enter the market for the first time



Top international developers* in the GCC by equity power capacity, January 2010 (MW)

Top international developers* in the GCC by equity power capacity, Jan 2010 (MW)	2008	2009
GDF Suez (1)	4,362	3,876
International Power (2)	2,614	2,614
Marubeni Corporation (3)	1,944	2,244
ACWA Power (5)	1,253	1,982
Gulf Investment Corporation (4)	1,847	1,538
Mubadala Development Company (6)	638	638
Sembcorp (12)	357	624
Sumitomo Corporation (8)	573	573
Korea Electric Power Company (Kepeco) (-)	0	482
Saudi Oger (9)	430	430
AES (7)	635	413
Mitsui & Company (10)	366	366

Source: MEED

GDF Suez remained the largest power developer in the GCC in 2009, despite selling down its Manah stake in Oman. However, its 2010 merger with International Power raises the prospect that the joint group will have divest some regional assets on monopoly grounds



Top international developers in the GCC by equity desalination capacity, January 2010

Top international developers in the GCC by equity desalination capacity, Dec 2009	2008	2009
GDF Suez (1)	184	160
ACWA Power (2)	130	142
International Power (3)	125	125
Marubeni Corporation (4)	80	100
Gulf Investment Corporation (5)	73	61
Sumitomo Corporation (6)	47	47
Sembcorp (7)	40	49
Khazanah Nasional (9=)	27	27
Malakoff Berhad (9=)	27	27
JGC Corporation (11)	20	20
AES (8)	32	20
Total (12)	17	17

Source: MEED

There was little change in the ranking of top desalination developers as a result of a lack of IWPP awards in 2009



Closing remarks

- Growth in peak power demand is expected to average about 6-7 per cent over the next 10 years
- Unless governments make concerted efforts to reduce demand through tariff reform and energy efficiency programmes, the GCC will require almost 100,000 MW of new capacity in an unprecedented investment programme
- With an estimated \$115bn required for power generation only, private developers will be asked to play a much greater role in the sector
- Shortages of gas reserves will lead to a much greater focus on alternative energy production with nuclear energy being the primary focus following the award of the Arab world's first nuclear contract in Abu Dhabi in late 2009. The size of the market is likely to be determined by Saudi Arabia and its KA-CARE initiative
- Renewable energy, while attracting growing interest, will play a marginal role in meeting demand
- Despite the rising number of project opportunities, competition for new work will remain intense with Chinese contractors entering the market and challenging the Korean domination. The downturn in the oil and gas projects market will also see a number of EPC contractors redirect their focus to the power and desalination market
- As a result, pricing will remain under pressure



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